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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Southern California Edison Company's Application For Approval of Embedded Energy Efficiency Pilot Programs for 2007-2008.	Application 07-01-024 (Filed January 16, 2007)
Application of Pacific Gas and Electric Company Seeking Approval of Water-Embedded Energy Savings Pilot Program (U 39 M)	Application 07-01-026 (Filed January 16, 2007)
San Diego Gas & Electric Company (U-902-E) for Approval of Energy & Water Efficiency Partnership and Budget for Years 2007 Through 2008.	Application 07-01-029 (Filed January 16, 2007)
Southern California Gas Company (U-904-G) for Approval of Energy & Water Efficiency Partnership and Budget for Years 2007 Through 2008.	Application 07-01-030 (Filed January 16, 2007)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S
RULING DISCUSSING PILOT PROGRAM OBJECTIVES, SETTING A
SCHEDULE FOR INITIAL WORKSHOPS, AND DENYING MOTIONS
RELATED TO PRE-APPROVAL EXPENDITURES**

Pilot Program Objectives

By assigned commissioner's ruling in Rulemaking (R.)06-04-010,
Commissioner Grueneich directed the respondent energy utilities to develop the
pilot programs that are the subject of these consolidated applications. We

intentionally left considerable latitude for the utilities to work with interested water agencies and develop creative program proposals. In conjunction with the prehearing conference held in these consolidated matters on February 6, 2007, several parties asked us to provide more specific guidance to aid in the assessment of the proposals. We will address this issue in the scoping memo, which will follow receipt of any protests, but will offer some initial comments, here.

While it is the Commission as a collective body that will make the final call as to the appropriate objectives related to these pilot programs, we encourage the parties to consider discussing the pilot proposals, and any potential modifications, with the following objectives in mind:

1. Reduce energy consumption related to water use in a manner that should prove to be cost-effective for all of the customers of the sponsoring energy utilities
2. Create a methodology for calculating cost-effectiveness and evaluating water-derived energy efficiency programs
3. Determine if, in fact, it is cost-effective to save energy through programs that focus on cold water
4. Better understand how energy is used in the California water system
5. Test a diverse set of water energy programs and measures, with particular emphasis on new technologies and low-income customers
6. Better understand what programs and measures are likely to save water and energy
7. Provide the basis for meaningful ex-post project assessment
8. Stimulate new partnerships

9. Better understand the potential benefits of pursuing each of the strategies identified in the October 16, 2006 ruling:
 - a. Conserving water
 - b. Switching to less energy-intensive water sources
 - c. Increasing the energy efficiency of current water delivery

Workshops

At the prehearing conference, various parties expressed an interest in having the Commission convene workshops to further understand and develop the pilot program proposals. The Utility Reform Network (TURN) and the Division of Ratepayer Advocates (DRA) asked that we begin this process by offering a training session designed to better inform energy experts as to the nature of the water utility industry. Some parties initially proposed that we schedule these workshops for approximately the middle of March. However, through discussion at the prehearing conference, it became clear that we would face scheduling problems the middle of March. In addition, in an effort to have a Commission decision prior to July 1, 2007, we cannot afford to wait that long.

We have developed an initial training workshop which we will hold starting at 10:00 am on February 26, 2007. We will schedule the second workshop to start at 1:30 pm the following day, and the third workshop to start at 9:00 am on February 28, 2007. We will hold these three workshops in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco. Based on the results of this effort, we anticipate scheduling two more workshops in March. The complete set of workshops is as follows:

1. **First Day**: Training Workshop (Starting at 10:00 am on February 26, 2007): The objective of this workshop is to provide a common level of industry-specific information to facilitate a constructive discussion of the pilot proposals. This session is not a forum for discussing the merits of specific pilot proposals, or to establish embedded energy savings numbers.

- a. California's water supply and distribution system, and wholesale and larger retail water entities.
 - b. California's electrical and natural gas energy systems and energy utilization in the conveyance, treatment and distribution of water.
- 2. **Second Day** (Starting at 1:30 pm on February 27, 2007): The objective of this workshop is to provide greater clarity about the goals of the program and the standard for reviewing the adequacy of the proposals. In addition, we will discuss a strategy for the presentation of issues in the workshops to be held on subsequent days.
 - a. **Goals** (Could include such goals as to determine whether cost-effective energy savings can be acquired through water conservation; to produce a methodology for determining cost-effectiveness; to test a variety of different technologies in different customer classes to determine where to focus future efforts; and to encourage dialogue between water and energy utilities).
 - b. **Design requirements** (what makes a good energy water pilot).
 - c. **Standard for review** (criteria for reviewing the proposals. Could include things like cost-effectiveness of the proposals, overall cost, state-wide measure mix, how well the pilot will show cost-effectiveness, low-income emphasis, compliance with the design requirements).
- 3. **Third Day** (Starting at 9 am on February 28, 2007): The objective is to create greater assurance that the pilot programs will be cost-beneficial.
 - a. Discuss the utilities' cost-effectiveness analysis.
 - b. Determine whether or not water savings are verifiable.
 - i. If the savings are verifiable, determine the impact of a conserved gallon of water (including which water source would be conserved and the implications of savings this water) and the value of the saved water as compared to other water sources.
 - ii. If the savings are not verifiable, determine the impact of higher water efficiency including marginal source of water and treatment.
 - c. Assess the applicability of the CEC energy savings surrogates for our purposes.

- d. The utilities would work with water agency partners to prepare initial predictions of local energy utility savings, and report back:
 - i. Identifying the avoided water source.
 - ii. Finding local utility energy usage attached to developing, delivering, and treating water from that source.
 - iii. Estimating local energy savings from water savings.
 - e. Determine whether there are natural gas savings that justify gas utility program participation.
4. **Fourth Day** (On a date to be announced.): The objective is to determine whether the utilities should redefine program elements to test more savings options and more partnerships.
- a. The utilities would develop and present water agency maps for their service territories.
 - b. Consider ways to incorporate regulated water utilities into the program.
 - c. Determine the merits of a heavy emphasis on low-income and toilet replacement.
 - d. Consider downstream partners.
 - e. Look at ways to use less energy-intensive water.
 - f. Look at ways to improve the efficiency of water delivery and treatment systems.
5. **Fifth Day** (On a date to be announced.): The objective is to ensure that the pilots will enhance our ability to choose cost-effective measures going forward.
- a. Determine what the final decision needs to address in order to provide long-term guidance.
 - b. Determine the measurements needed through the pilot programs to determine cost-effectiveness more accurately.
 - c. Determine whether the chosen pilot projects optimize the ability to measure cost-effectiveness.
 - d. Adopt an evaluation plan and schedule to ensure that adequate ex-ante data is collected.

Pending Motions

The San Diego Gas & Electric Company and the Southern California Gas Company each filed a motion seeking authorization to spend \$25,000 to prepare requests for proposals related to the anticipated pilot programs. Both DRA and TURN opposed the motions, arguing that it would be premature to commit ratepayers to particular pilot programs before the Commission has determined whether to approve them.

Granting the motions would require a Commission decision. We support the utilities' desire to do what they can in advance of program approval to speed implementation. However, we agree with DRA and TURN that we lack a basis, right now, for concluding that it is reasonable to encumber ratepayer funds for any particular pilot program. Thus, we deny the motions, without prejudice.

IT IS RULED that:

1. The assigned administrative law judge will conduct workshops as described in this order. The first three will occur in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, as follows: February 26, 2007 beginning at 10:00 am; February 27, 2007 starting at 1:30 pm; and February 28 beginning at 9:00 am.
2. Prior to the February 28, 2007 workshop, each applicant utility shall confer with its proposed water agency pilot program partners and do all of the following: (a) identify the avoided water source; (2) determine the local utility energy usage attached to developing, delivering, and treating water from that source; and (c) estimate the local utility energy savings from water savings. As part of this analysis, the utilities shall attempt to identify estimated downstream energy savings. The utilities will report on the results of this entire effort at the workshop on February 28, 2007.

3. The Motions of San Diego Gas & Electric Company and the Southern California Gas Company dated January 24, 2007 are denied without prejudice.

Dated February 16, 2007, at San Francisco, California.

/s/ DIAN GRUENEICH
Dian M. Grueneich
Assigned Commissioner

/s/ JANET A. ECONOME for
Steven A. Weissman
Administrative Law Judge